

“UPGRADED SUPPORT TOOL FOR INTEGRATION OF SMEs IN EUROPEAN AND GLOBAL VALUE CHAINS”

REPORT 8

ITALIAN CONSTRUCTION INDUSTRY



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Italy - Construction sector

According to data from the World Bank, the total GVA created in Italy's industrial sector (including the construction sector) has reached 23% in recent years, which is at the level of the European Union average. When it comes to the real growth of the GVA of the industry sector, it can be said that this indicator in Italy from 2020 withstands crisis situations on the global market much better than the average of the European Union, and in 2023 zero growth was recorded against a decrease of 1.3% in the European Union. Observed in absolute value, the total value created in the industrial sector in Italy amounted to 483 billion Euros in 2023, which is a growth of 4.3% compared to the previous year. However, the indicator that shows that worker productivity is slightly below the European Union average is the created GVA per worker, which in Italy is at the level of around 66,000 Euros (88% of the EU average).

Basic indicators of industrial development in Italy, including the construction sector

The name of the indicator	2017	2018	2019	2020	2021	2022	2023
GVA in industry (including the construction sector), in % of GDP							
Italy	21,3	21,5	21,5	21,6	23,2	23,5	23,1
EU	22,3	22,2	22,2	22,2	22,6	23,0	23,3
GVA in industry (incl. construction sector), real growth in %							
Italy	2,9	1,9	0,4	-10,3	15,0	1,7	0,0
EU	3,0	1,9	0,6	-6,0	7,7	1,4	-1,3
GVA in industry (incl. construction sector), in billions of EUR							
Italy	370	380	387	359	424	463	483
EU	2.509	2.593	2.670	2.564	2.820	3.116	3.357
GVA per worker in industry (incl. construction sector), in EUR							
Italy	59.454	57.259	61.265	54.154	59.889	66.145	...
EU	67.978	65.438	68.832	64.749	67.394	75.493	...

Source: World Bank.

Italy ranks third in Europe in terms of the value of the construction industry's annual output of 168 billion Euros in 2022. Although there are a large number of countries that have a higher percentage of the construction sector in GDP, such as the Netherlands, Portugal or Ireland, the construction industry in Italy plays an essential role in creating the new infrastructure necessary for the simpler functioning of the economy itself, and several Italian companies are in the ranking of the largest companies in world in this sector.

The construction of buildings in Italy represents a construction component of exceptional importance, for which demand has been increasing in recent years. The producer prices of building construction in this country in 2022 increased by about 8% for residential buildings and about 9% for commercial buildings, as construction costs increased significantly after the corona virus pandemic. The growth in the prices of some critical raw materials used in construction works has increased up to 45%, and therefore double-digit growth rates should be expected in the coming period, as well as the growth in the prices of final products expressed in the form of residential civil and business units.

According to data from the Italian Association of Construction Contractors (ANCE), investments in the construction sector increased in 2023 by about 18% compared to the previous year. The Italian Government has boosted construction activity after the pandemic with public incentives for manufacturers to make buildings not only better quality and more efficient, but also more environmentally sustainable and digital. ANCE's assessment is that total investments in the construction sector will continue to grow, but somewhat more slowly than in previous years, which will certainly affect the long-term growth of Italy as an economy, as well as the construction market. What this institution sees as a potential problem is the concentration of investments in only a few cities in the north of Italy, such as Milan, Turin and Bologna.

According to the estimate of the National Statistics Agency, the total number of companies participating in construction activities as of 2019 exceeded half a million, with the structure of the companies as follows: 76% of companies are registered for specialized construction works; 23% for high-rise construction: 1% for low-rise construction.

A significant part of the construction activities also refers to investments in the modernization and construction of the high-speed railway network and the completion of railway freight corridors. In recent years, more and more so-called of "green" requirements that must be met in construction and that thus separate companies that operate according to EU standards from those that are more ecologically dirty. The plan of the Italian Government is to invest about 9 billion Euros in increasing the capacity of ports and piers by 2026, which is another component of construction activities that must not be neglected due to the geographical positioning of the country itself.

Italy's foreign trade exchange of construction services, in millions of

	2018	2019	2020	2021	2022
Export	432	668	275	296	363
Import	46	163	47	53	56
Balance	386	505	228	244	307

Source: ITC trademap.

Italy's export of construction services accounts for about 3% of the total export of services in 2022, i.e. 363 million Euros. The export of construction services varies significantly from year to year and depends on a large number of factors. On the other hand, imports are at a significantly lower level, so a surplus in the foreign trade exchange was realized in the value of 85% of the total export of construction services.

National accounts data published by the Italian National Institute of Statistics (ISTAT) show that in 2023, GDP will increase by 0.9%. In 2024, growth will be driven by domestic demand, especially in the investment component with a significant contribution from the construction sector, which has been the main driver of Italian economic growth in the last three years. According to ANCE estimates, around a third of GDP growth in that period can be attributed to the construction sector.

The impact of the construction sector on employment in Italy was also significant. According to ISTAT data, the number of employees in the construction sector increased by 22,000 in 2023, which is 1.3% more than in the previous year.

The outlook for 2024 is quite uncertain, and the formulation of estimates for both the general economy and the construction sector is quite complex. In fact, macroeconomic developments will be determined on the one hand by inflation trends and the resulting monetary policy decisions of the ECB, and on the other hand by the development of the conflict in the Middle East, which could boost the prices of key commodities in the event of an escalation of relations, and these elements of instability would not spare the construction sector either.

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